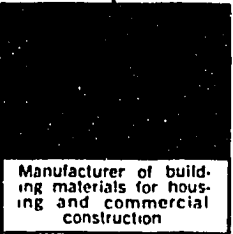
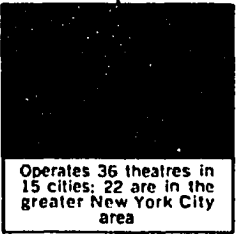
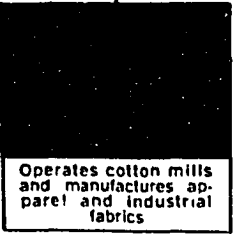
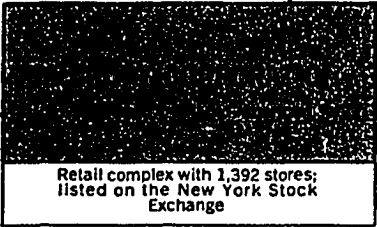
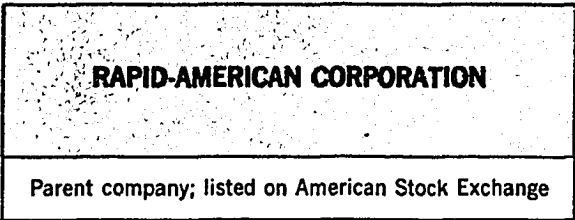


RAPID-AMERICAN CORPORATION • ANNUAL REPORT 1966



* On April 12, 1966, stockholders approved combination with Glen Alden

BOARD OF DIRECTORS

ISIDORE A. BECKER*
 GEORGE V. DELSON
 BERNARD KOBROVSKY

LEONARD C. LANE*
 SAMUEL J. LEVY*
 SAMUEL NEAMAN
 MESHULAM RIKLIS*

LORENCE A. SILVERBERG*
 MURRAY J. TOUSSIE
 HARRY H. WACHTEL*

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Chairman of the Board and President

LEONARD C. LANE

Vice Chairman and Executive Vice President

SAMUEL J. LEVY

Vice Chairman

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Financial Vice President

HARRY H. WACHTEL
Executive Vice President

LORENCE A. SILVERBERG
Vice President

ANTHONY W. TRAPANI
Vice President and Treasurer

JOSEPH B. RUSSELL
Secretary

* Member of Executive Committee.

HIGHLIGHTS

	<u>1966</u>	<u>1965</u>	<u>1964</u>
SALES	\$755,085,000	\$519,483,000	\$547,775,000
EARNINGS	5,109,000	3,065,000	1,949,000
EARNINGS PER SHARE	2.22	1.46	.93

The Annual Meeting of the Shareholders of Rapid-American Corporation will be held in the Meeting Room of the Fifth-Third Union Trust Company, 4th and Walnut Streets, Cincinnati, Ohio, on Wednesday, May 31, 1967 at 1:00 P.M.

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To the Shareholders:

We are extremely pleased to report that in 1966 Rapid-American attained a full measure of success. In brief:

- 1966 earnings increased 67 per cent and sales 45 per cent, compared to results of last year.
- Our Joseph H. Cohen & Sons division continued to expand and achieved highly satisfactory earnings.
- McCrory Corporation, our retailing subsidiary, achieved the highest earnings in its history and all divisions operated profitably, with record earnings at Lerner, OTASCO and MMG.
- Shareholders' equity increased sharply to \$25,743,000 from \$9,862,000.

Rapid-American's net income in 1966 was \$5,109,000, equal to \$2.22 per common share, compared with \$3,065,000, equal to \$1.46 per common share, a year ago. Sales in 1966 increased to \$755,085,000, compared with \$519,483,000 in 1965.

On June 10, 1966, Hanover Equities Corporation was merged into Rapid-American. The purpose of the merger was to broaden Rapid-American's equity base. Hanover's five real estate properties have since been sold. Its 28 per cent ownership of The North Shore National Bank of Chicago has been retained.

Rapid-American's equity base was further enhanced by the issuance of \$5,100,000 of preferred stock. Of this, \$3,600,000 in stock was used to eliminate part of the debt incurred in the purchase of Joseph H. Cohen & Sons and \$1,500,000 was added to company cash.

It is with the greatest pleasure that I advise you of Rapid-American's prepayment of the balance of \$9,100,000 of long term debt due to banks incurred during 1961 and 1962 in our acquisition of McCrory stock.

Rapid-American's electrotape plant in San Francisco continued to show improved earnings in 1966.

Joseph H. Cohen & Sons

This 57-year old men's clothing business, acquired in December 1965, continued to expand its business last year. Sales for 1966 increased to \$42,000,000. The profit contribution of this division to Rapid-American, before interest charges, was \$3,850,000.

In its first full year as a division of Rapid-American, Joseph H. Cohen & Sons:

- Continued to hold one of the largest shares of the U.S. men's tailored apparel manufacturing field and the largest unit production in the world.
- Instituted a new program for its lines which will make Cohen garments an even better fashion and quality buy in their price ranges in 1967.
- Increased its production and distribution facilities.

More information on the Joseph H. Cohen operation appears on page 4 of this report.

McCrory Corporation

This subsidiary, one of the nation's largest non-food retailing organizations, achieved 1966 net earnings of \$10,566,000, compared with \$10,063,000 in 1965. McCrory's 1966 earnings include only 50 per cent of the earnings of Lerner Shops, as compared to virtually all in 1965; 67 per cent of S. Klein's earnings since May 1, 1966, and all of Best & Co.'s earnings from October 14, 1966.

McCrory sales in 1966 were \$712,727,000, compared with \$513,229,000 in 1965. McCrory sales for 1966 include, for the first time, the sales of S. Klein since May 1, 1966 and

those of Best & Co. since October 14, 1966.

All of McCrory's operations were profitable in 1966 and all posted gains over 1965. To better acquaint you with the relative size and scope of McCrory's operations, we are providing its divisions' and subsidiaries' sales and earnings which do not reflect home office income, debt service and overhead.

- MMG achieved *pretax earnings* of approximately \$10,553,000, a 13 per cent increase over earnings last year of \$9,283,000. Sales in 1966 were \$238,406,000, compared with \$240,447,000 in 1965.
- OTASCO-Economy Auto *pretax earnings* were \$5,229,000 in 1966, compared with \$4,411,000 for the prior year. Sales in 1966 were \$65,294,000, compared with \$58,101,000 last year.
- McCrory's equity in the net income of S. Klein for the nine months ended January 31, 1967 amounted to \$1,415,000. S. Klein reported for this period net sales of \$166,018,000.
- Lerner Shops earned \$11,085,000 *before taxes* and \$6,735,000 *after taxes* in 1966, compared with \$10,005,000 *before taxes* and \$6,105,000 *after taxes* in 1965. Sales in 1966 were \$227,760,000, compared with \$212,165,000 last year.

On October 14, 1966, McCrory acquired the business and operating assets of 16 Best & Co. stores, including its nationally known New York City store on Fifth Avenue at 51st Street. Best & Co. is one of the nation's best known high-quality women's and children's apparel retailers. We have high hopes for Best & Co. under the McCrory banner.

Under a plan approved at a special McCrory Corporation stockholders meeting on February 14, 1967, McCrory exchanged approximately

\$12,000,000 principal amount of 6½ per cent Convertible Subordinated Debentures, plus cash of \$2,875,000 where applicable, for certain of its securities. Rapid-American now owns approximately 56 per cent of the common stock of McCrory, as compared to approximately 51 per cent prior to the tender.

Outlook

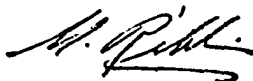
We are extremely pleased with Rapid-American's progress last year and believe that given generally favorable economic conditions in the country, your company will continue to achieve substantial gains in the year ahead.

Our expectations are based on the experienced and able management of Joseph H. Cohen & Sons who are continuing to maintain Cohen as a leader in the men's wear industry.

Our optimism is engendered by a strong management team in McCrory that has produced improved results in each of the last few years and should continue to move ahead. The increase in our percentage of ownership of McCrory affords us a larger share of this corporation's growing earnings.

At this time, I would like to thank our directors, officers and employees, and our banks and other business friends for their help and continued support during the past year.

Sincerely,



M. Riklis

Chairman of the Board and President

April 24, 1967

Joseph H. Cohen & Sons

The company continues to be a private label producer, offering its retail accounts—from the largest chain organizations to small specialty stores—fashion and merchandising leadership locally and nationally. Over 80 per cent of its garments are produced to order. Cohen's executive offices, including the principal sales offices, are in New York City and regional sales offices are maintained in Boston, Chicago, Dallas, Los Angeles, Philadelphia, Pittsburgh, St. Louis and Seattle.

This division remains under the direction of the fine management which has developed the company to its present leadership position, led by Isidore M. Cohen and Wilfred P. Cohen.

The Cohen organization prides itself on the many young executives making substantial contributions to the company's operations as well as providing the basis for continued and future leadership.

During the past year Cohen made plans to consolidate its two highest priced lines, Westberry and the Joseph H. Cohen line, into the JHC Plus Division; and to upgrade the Walger Division to Walger Deluxe. The marketing program was undertaken to permit the company to expand its sales effort in higher priced garments through the introduction of new style elements, trimming and workmanship details. The new approach will take advantage of the growing trend in men's tailored clothing for a wider variety of high quality fashion suits and coordinated ensembles.

Sales during the year continued at a satisfactory level in all the divisions including the Horatio Alger Division which devotes itself to young men's fashions.

Manufacturing and Distribution

Cohen's main manufacturing complex, consisting of four plant locations, is in Philadelphia, Pennsylvania. During 1966 increased busi-

ness required expanded facilities and Cohen acquired a plant near Fort Wayne, Indiana. All plants operated at full capacity throughout the year.

Cohen established a new distribution center in Philadelphia late in 1965 which was fully operational during 1966, with a storage capacity for 500,000 garments. The center occupies a full square block and is a model of progressive material handling and temperature control techniques to protect the factory-fresh appearance of merchandise during storage and packaging.

To assure rapid and continued growth in the western states, Cohen established a new distribution center in Los Angeles.

New Technology

During 1966, Cohen increased its data processing capability with a 360 IBM computer which has a greater storage capacity and speed than the 1460 IBM computer which was phased out. All details of an order, from fabric inventory to production progress, are committed to the computer's "brain". In New York showrooms, aspects of a customer's order can be confirmed in minutes through a teletype system.

Fashion

One of the prime reasons Joseph H. Cohen & Sons enjoys its prominent position in the menswear industry is because it offers its customers virtually all the important style trends. In keeping with this versatility, Cohen's merchandising executives continue to take advantage of newest fashion trends by having broad representation in their lines. Most important of the upcoming trends is the move toward more varied fabrics and styles, plaids and brighter colors, which are comprising the new quality "tailored casual" look for the fast-moving contemporary man of affairs.

Coordinated slacks, jacket and reversible vest are part of "tailored casual" trend which emphasizes elegance in a relaxed setting.



A Cohen quality suit in light plaid includes new style elements, trimming and workmanship details introduced in top lines.



In the JHC Plus sales offices, a buyer chooses from a large variety of new models and quality fabrics for his store's private label fashions. Over 80 per cent of Cohen's garments are produced to order.

McCrory-McLellan-Green

MMG's continuing success is a testimonial to the ability of its people to respond to challenge under the outstanding leadership of Samuel Neaman.

The overwhelming majority of present employees were with MMG when the division failed to realize its potential and turned in a very unsatisfactory performance in 1963. This same group was the backbone of the improved \$7 million pretax earnings in 1964, the \$9 million pretax earnings in 1965 and \$10.5 million pretax earnings last year.

What made the difference? Motivation coupled with the benefits of new, modern retailing tools is the answer.

Career opportunity was one ingredient which improved employee motivation. MMG has increased the number of new jobs open to ambitious, capable people: It has instituted training programs to qualify both newcomers and veterans for these positions, which range from store sales supervisors to District Managers.

Improved salary and benefits further stimulated employee motivation. MMG employees and executives have had several salary improvements in the past two years. Employee benefits now include retirement income, life insurance, disability income, medical-hospital insurance, employee discounts and the McCrory College Scholarship Program for children of employees. *The division today is one of the industry leaders in wages and benefits.*

MMG's personnel have contributed a total of 66,000 years of service. In 1966, 5,420 employee length of service awards were made.

Programs for recognition of unusual achievement have been developed. Seventy-six manager awards recognizing outstanding sales, profits, payroll control and other criteria were made at the district level, as well as ten regional and two national awards.

Last year the MMG headquarters was relocated from Manhattan to York, Pa. where the division's main distribution center is located. It is expected that important efficiencies and economies will result from this move.

Accounting and merchandise control techniques were improved in 1966, making possible faster inventory turnover and a quicker flow of information for management decisions.

S. Klein

This 63-year old pioneer in the promotional department store field took a new lease on life when it opened a new four-level, 170,000 square foot store in Flushing in February, 1967. This was the first new store the organization opened in New York City in 60 years and was made possible by an agreement reached with the estate of Samuel Klein for the opening of new S. Klein stores within the city.

The key to the success of this new operation and the seven others that are planned for the next 30 months is service. S. Klein management is convinced that the average customer is tired of gray, cheerless barns that have characterized promotional department stores. Customers want service, useful product information and cheerful surroundings.

The merchandise selection in the new and older S. Klein stores is now based on providing something for nearly every kind of customer, with unusual value at various price levels. Another change in operations is to divide the stores into virtually separate shops, with sales people assigned to specific shops. This innovation has encouraged sales personnel to know their merchandise better and has provided them with incentive to make their respective "shops" excel.

The new S. Klein merchandising program has required the building of a strong, centralized management, with experienced specialists

McCrary-McLellan-Green manager shows store employees how to stock shelves for best customer response.



Shoppers look at dresses in "Designer Room" at new S. Klein store in Flushing, N. Y.

holding down all key functions—from advertising to quality control. Careful selection and training of sales personnel is practiced. Salaries have been raised and new employee benefits have been added. A number of young executives have been promoted and some experienced people have been brought in from MMG and other McCrory operations and a number of leading specialists have joined S. Klein from outside companies.

Management believes that the improved results in 1966 at S. Klein are only the beginning of a new period of growth for this operation. Plans call for the doubling of S. Klein sales in the next four or five years through the opening of new stores and the growth of existing operations.

McCrory Corporation plans to renew its exchange offer for common stock and convertible debentures of S. Klein in the near future. The exchange will be made under the same terms as in the previous offer.

OTASCO-Economy Auto

The ability of OTASCO-Economy Auto to set new growth records for the past six years can be credited to its continuing desire to improve.

Last year new emphasis was placed on improving the selection, quality and value of the division's merchandise. To achieve this, the buying staff was expanded. Special steps were taken to enhance private brand lines which tend to give extra benefits to customers and exclusive merchandising advantages to OTASCO-Economy Auto.

A special advertising and promotional campaign was started personalizing "YOUR OTASCO MAN" and "YOUR ECONOMY AUTO MAN." The campaign highlights the division's genuine interest in its customers and gives new attention to major merchandise lines where the division has unique competitive strength.

Recruiting and training of personnel were accelerated during the year and additional investments were made in better distribution facilities, data processing equipment, retail auto service installations and a variety of other up-to-date retailing facilities.

The division opened its fourth combination "auto-variety" store in 1966. This type of store offers customers both auto and variety products. The new store and the three older combination units have enjoyed excellent sales and profits.

Lerner Shops

For nearly half a century, Lerner Shops has presented to American women and children the last word in fashion at the lowest possible price. Its experienced buyers are constantly in search of designs found in higher-priced fashions that can be offered to customers at popular-to-medium prices. It takes great taste and talent to spot the beginnings of a fashion trend, interpret it in terms of established high standards of quality, and then offer it to customers at reasonable prices.

To support growing customer acceptance of Lerner Shops' merchandising principles, two important expansion projects were launched during the past year.

The first of these was a new combination home office and distribution center. Since 1927 the Lerner Shops home office and main distribution center have been located in a 20-story building on Park Avenue South in New York City. It became increasingly apparent in recent years that this building did not lend itself to modern automation and other effective operations needed to keep pace with the company's progress.

In 1966 a commitment was made to occupy four floors of the new Midtown Mart, now under construction on Manhattan's west side,

Spring coat from Liliputian Bazaar at Best & Co.



Lerner Shops' employee beams approval of customer's choice of hat.



Features of tractor are described by salesman at OTASCO-Economy Auto store.

a location close to major merchandise suppliers. Lerner Shops will have its own private entrance and lobby, its own passenger elevators, and its own specially designed facilities for moving merchandise from the ground floor receiving area to operating floors. Occupancy is planned for the latter part of 1968 or early 1969.

A second important step taken during the year was to start construction of a new regional office and distribution center in Pittsburgh. Regional headquarters already exist in Atlanta, Denver, Chicago, Los Angeles and Jacksonville. The six regional installations are expected to handle 60 per cent of Lerner Shops annual sales volume.

Best & Co.

Best & Co. is one of the smartest, most renowned of Fifth Avenue's fashion shops. Adding its luster to the ever-growing family of companies under the McCrory banner, this fine store is reflecting today's accent on youth in many ways.

Best & Co. is encouraging new, exciting designers whose wares appeal to young career girls and other fashion-aware customers. While the classics hold an important place in the store's merchandising plans, there is the additional excitement of today's young, young fashions. This new youth-oriented outlook is attracting some of the most talented retail personnel in the city—young men and women who will add their enthusiasm to the experience and knowledge of Best & Co.'s present loyal staff.

In addition to merchandise changes, there are many physical changes planned for the near future, changes that mirror the most modern retailing and management techniques—new improved floor layouts, additional selling space and a bright, new face-lifting. Best &

Co.'s traditions of good taste, meticulous service and high quality will be maintained and, of course, the Liliputian Bazaar, famous for children's apparel, will continue to be one of the most important floors in the store.

Glen Alden Corporation

Glen Alden in 1966 achieved net income of \$6,464,000, including \$234,000 of extraordinary items. In 1965 net income was \$3,313,000 after extraordinary losses (principally in the sale of the coal division) of \$3,213,000. Operating income in 1966 was \$4,609,000, compared with \$3,865,000 in 1965, excluding operations discontinued in 1965.

Shareholders of Glen Alden Corporation, The Philip Carey Manufacturing Company and The B.V.D. Company, Inc. met at separate meetings on April 12, 1967 and approved Glen Alden's merger with Philip Carey and its acquisition of B.V.D.

GLEN ALDEN HIGHLIGHTS

	<u>1966</u>	<u>1965</u>
Net sales and revenues	\$53,797,000	\$79,171,000
Income before extraordinary items	6,230,000	6,526,000
Extraordinary items net	234,000	(3,213,000)
Net income	6,464,000	3,313,000
Shareholders' equity:		
Total	69,981,000	68,620,000
Per share	14.58	14.28

RAPID-AMERICAN CORPORATION

AND SUBSIDIARIES

STATEMENTS OF CONSOLIDATED INCOME

	<i>Year Ended</i> <i>January 31,</i>	
	<u>1967</u>	<u>1966</u>
Revenues:		
Net sales	\$755,084,759	\$519,483,430
Other—net	3,785,610	3,494,094
	<u>758,870,369</u>	<u>522,977,524</u>
Costs and Expenses:		
Cost of goods sold	557,351,742	369,358,631
Selling, general and administrative expenses	156,877,155	120,972,079
Interest and debt expense	12,479,191	10,326,864
Depreciation and amortization	8,992,427	8,121,513
Federal income taxes	8,740,000	6,180,000
	<u>744,440,515</u>	<u>514,959,087</u>
Income Before Minority Interest	14,429,854	8,018,437
Income Applicable to Minority Interest	9,320,890	4,953,077
Net Income	\$ 5,108,964	\$ 3,065,360
 Net income per share of common stock	 \$2.22	 \$1.46

See Notes to Financial Statements.



RAPID-AMERICAN CORPORATION

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

Assets

	January 31,	
	1967	1966
Current Assets:		
Cash and, in 1967, U. S. Treasury Bills	\$ 6,497,070	\$ 17,582,890
Receivables, after allowance for doubtful accounts	23,297,348	6,084,041
Inventories, at lower of cost or market	123,580,284	92,597,907
Prepaid expenses, etc.	4,095,334	2,237,339
Total Current Assets	157,470,036	118,502,177
Investments in and Advances to:		
Glen Alden, at cost	34,267,491	34,267,491
S. Klein Department Stores, Inc., at cost		3,419,178
McCrory Credit Corporation, at equity	6,625,568	6,305,793
North Shore National Bank of Chicago, at cost	1,982,500	
	42,875,559	43,992,462
Property and Equipment, at cost	175,566,770	151,958,609
Less accumulated depreciation and amortization	95,862,766	84,207,036
	79,704,004	67,751,573
Other Assets:		
Excess of cost of investments over related equities	28,022,460	20,497,340
Unamortized debt expense	6,185,565	6,890,495
Mortgages and sundry	5,491,486	5,636,769
Trademarks, deferred charges and unamortized goodwill	4,371,171	2,593,116
	44,070,682	35,617,720
	\$324,120,281	\$265,863,932

See Notes to Financial Statements.

Liabilities and Shareholders' Equity

	<i>January 31,</i>	
	<u>1967</u>	<u>1966</u>
<i>Current Liabilities:</i>		
Notes payable	\$ 10,673,379	\$ 5,088,390
Current maturities of long-term debt	24,727,793	8,873,292
Accounts payable	29,634,092	20,682,001
Accrued expenses and sundry	23,113,781	20,582,373
Accrued Federal income taxes	7,576,792	6,166,772
Total Current Liabilities	<u>95,725,837</u>	<u>61,392,828</u>
 <i>Long-Term Debt, less current maturities</i>	 <u>97,405,352</u>	 <u>102,774,462</u>
 <i>Deferred Federal Income Taxes and Other</i>	 <u>20,440,560</u>	 <u>15,888,325</u>
 <i>Minority Interest in Subsidiary Companies</i>	 <u>84,805,209</u>	 <u>75,946,659</u>
 <i>Shareholders' Equity:</i>		
Preferred stock	2,355,528	
Common stock, \$1 par value, authorized 10,000,000 shares, issued 2,136,243 shares, treasury stock 34,536 shares, outstanding 2,101,707 shares	2,101,707	2,101,707
Capital surplus	19,887,647	10,164,197
Earned surplus (since February 1, 1966)	3,961,232	
Equity in subsidiary's cost of its treasury stock	(2,562,791)	(2,404,246)
Shareholders' Equity	<u>25,743,323</u>	<u>9,861,658</u>
	 <u>\$324,120,281</u>	 <u>\$265,863,932</u>

See Notes to Financial Statements

RAPID-AMERICAN CORPORATION AND SUBSIDIARIES

STATEMENTS OF SURPLUS AND PREFERRED STOCK

	Year Ended January 31,	
	1967	1966
Earned Surplus		
Balance, February 1	—	\$(6,935,147)
Add (Deduct):		
Net income	\$ 5,108,964	3,065,360
Dividends on preferred stock	(451,973)	
Gain on sale of 266,127 shares of common stock and 2,661,268 rights to purchase common stock of Lerner Stores Corporation		1,724,625
Equity in certain transactions of subsidiaries:		
Provision for estimated losses principally in connec- tion with the closing of certain Lanes Department Stores, net of estimated Federal income tax benefit		(1,289,225)
Gain on sale of common stock of Lerner Stores Cor- poration		113,164
Other	(695,759)	(1,891,533)
Application of capital surplus to eliminate deficit at Jan- uary 31, 1966 as approved by shareholders		5,212,756
Balance, January 31	<u>\$ 3,961,232</u>	<u>\$ —</u>

	Preferred Stock 1967		Capital Surplus	
	<u>\$.75 Issue</u>	<u>5% Issue</u>		
Preferred Stock and Capital Surplus				
Balance, February 1	—	—	\$10,164,197	\$14,255,307
Add (Deduct):				
Issuance of preferred stock:				
For cash		\$1,500,000		
Pursuant to merger with Han- over Equities Corporation (net assets of \$5,901,848 re- ceived)	\$610,528		5,291,320	
In exchange for \$3,600,000 of a 5% note payable	240,000		3,360,000	
Upon exercise of stock option	5,000		23,125	
Equity in certain transactions of sub- sidiaries			1,049,005	1,121,646
Application of capital surplus to eliminate deficit at January 31, 1966				(5,212,756)
Balance, January 31	<u>\$855,528</u>	<u>\$1,500,000</u>	<u>\$19,887,647</u>	<u>\$10,164,197</u>

See Notes to Financial Statements.

Principles of consolidation

The financial statements reflect the consolidation of Rapid-American Corporation and its subsidiaries including the remaining real estate interests and Hanover-North Shore, Inc. which were acquired by merger with Hanover Equities Corporation on June 10, 1966, and McCrory Corporation. The McCrory consolidated financial statements include Lerner Stores Corporation, S. Klein Department Stores, Inc., and all wholly-owned subsidiaries except McCrory Credit Corporation and Glen Alden-Delaware, Inc. McCrory's majority ownership of Klein was completed late in April 1966; Klein net sales of \$166,017,875 and McCrory's equity in its net income (\$1,415,127) for the nine months ended January 31, 1967 are included in McCrory's consolidated financial statements. On October 14, 1966 McCrory acquired the principal operating assets and business of Best & Co., Inc.

McCrory Credit Corporation and equity in instalment accounts sold

Rapid and its affiliates assign certain customers' accounts receivable to McCrory Credit Corporation, which remits 90% of the amount thereof. The companies accept reassignment of any accounts in default, as defined. The 10% equity of Rapid in assigned accounts (the uncollected balances of which amount to \$38,392,000 at January 31, 1967) is included in receivables in the consolidated balance sheet. Collections in January 1967 (payable to McCrory Credit Corporation in February 1967) from assigned customers' accounts (net of 10% equity) amounting to \$11,415,000 have been deducted from receivables in the consolidated balance sheet. The investment in McCrory Credit Corporation is carried at McCrory's equity in the capital and undistributed earnings at January 31, 1967 as summarized below:

Accounts receivable, less unearned discount	\$38,586,258	
Other assets, less other liabilities	5,389,310	\$43,975,568
Notes payable to banks	35,350,000	
Notes payable to McCrory and subsidiaries (\$2,000,000 current)	6,000,000	41,350,000
McCrory's equity		<u>\$ 2,625,568</u>

Net income of McCrory Credit Corporation for the years ended January 31, 1967 and 1966 of \$319,775 and \$387,265, respectively, is included in "Revenues—Other—net" in the statements of consolidated income.

Investments**CONSOLIDATED SUBSIDIARIES:**

McCrory Corporation—Rapid owned at January 31, 1967 and 1966, 2,630,260 shares (50.5%) and 2,661,268 shares (51.2%), respectively, of McCrory common stock. At January 31, 1967 these shares were pledged as collateral to \$29,623,000 of notes payable by Rapid. Pursuant to a recapitalization tender offer which expired April 10, 1967 McCrory acquired approximately \$22,600 shares of its common stock. At that date Rapid's percentage of ownership of McCrory common stock was 55.9%.

Lerner Stores Corporation—McCrory owned at January 31, 1967 and 1966 a majority (2,558,815 and 2,555,457 shares, respectively) of Lerner common stock.

S. Klein Department Stores, Inc.—McCrory owned at January 31, 1967, 805,077 shares (67.1%) of Klein common stock and \$1,836,000 principal amount (55%) of Klein 5½% convertible subordinated debentures.

At January 31, 1967 the aggregate cost of investments exceeded equity in underlying net assets at dates of acquisition as follows: common stock of McCrory (\$1,531,912), common stock

of Lerner (\$8,650,000), securities of Klein (\$7,499,623) and operating assets of Joseph H. Cohen & Sons division acquired December 1, 1965 (\$10,340,925). Under certain conditions Rapid is obligated to pay additional amounts for its investment in Joseph H. Cohen & Sons.

The excess purchase costs have been recognized by the managements of Rapid and McCrory as being similar in nature to intangibles which have not declined in value since acquisition. Accordingly, at dates of acquisition, the managements of Rapid and McCrory adopted the policy of not amortizing these excess purchase costs so long as there is no recognized diminution in value of the related investments.

AFFILIATES:

Glen Alden—On July 26, 1966 McCrory exchanged 2,388,230 common shares (49.7%) of Glen Alden Corporation for 2,388,230 common shares (100%) of Glen Alden-Delaware, Inc. Upon consummation of the merger of Glen Alden Corporation and Glen Alden-Delaware, Inc. McCrory will receive 2,388,230 shares (initially representing 49.7%) of the outstanding common stock of the new Glen Alden Corporation.

North Shore National Bank of Chicago—Rapid acquired 100% of the outstanding stock of Hanover-North Shore, Inc. pursuant to its merger with Hanover Equities Corporation. The principal asset of Hanover-North Shore, Inc. on January 31, 1967 was 85,000 shares (market quotation value \$1,275,000) of common stock (28%) of North Shore National Bank of Chicago which were pledged on that date as collateral to \$1,000,000 of notes payable by Hanover-North Shore, Inc.

Long-term debt

Long-term debt at January 31, 1967 and maturities due within one year consisted of the following:

	Current Maturities	Long-Term Debt
7½% sinking fund subordinated debentures, due November 15, 1967, less debentures in treasury \$120	\$ 2,250,584	
5¾% convertible subordinated debentures, due January 1, 1977, less debentures in treasury \$750,000 (a)		\$12,449,940
5½%-6% notes, due 1967 to 1976	5,699,230	25,400,000
5½% sinking fund subordinated debentures, due 1976 (b)		36,040,960
5.235% subordinated notes, due in equal annual instalments to 1969	1,786,284	3,572,569
5% junior subordinated notes, maturing serially to April 1, 1970	3,582,345	2,985,287
5% junior sinking fund subordinated debentures, due July 15, 1981 (c)		7,723,390
5.70% promissory note, due serially to September 1, 1969 (d)	1,000,000	4,400,000
5¼% convertible subordinated debentures, due in annual instalments from 1970 to 1979 (e)		1,507,000
6% notes	4,000,000	142,017
3% sinking fund debentures due July 1, 1967	2,582,000	
Sundry, principally mortgages	3,827,350	3,184,189
Total	\$24,727,793	\$97,405,352

(a) The issued debentures are convertible into common stock of Rapid at \$22.77 principal amount of debentures for each share of common stock, subject to anti-dilution provisions, and are callable upon notice at principal amount with interest to redemption date.

(b) Exclusive of \$831,104 redeemed and cancelled which is available for 1968 sinking fund payment. Sinking fund requirements in each year are as follows: 1968 through 1971—\$2,048,448, 1972 through 1976—\$3,277,517, with a final payment of \$12,290,687 due on August 15, 1976.

(c) Required annual sinking fund payments commencing January 30, 1970 are 2% of the aggregate principal amount outstanding on the preceding January 15. Such payments at the 2% rate continue each succeeding year to and including 1974 and at the rate of 5% with respect to each year thereafter to January 30, 1980.

(d) Payable in instalments of \$1,000,000 on September 1, 1967 and 1968 plus contingent prepayments in an amount equal to 50% of the Klein consolidated net earnings (as defined) with the balance (\$3,400,000 reduced by such contingent prepayments) payable on September 1, 1969.

(e) Sinking fund requirements are \$350,000 principal amount annually beginning June 1, 1970. Converted debentures in the amount of \$157,000 are available for the 1970 sinking fund payment. The debentures are convertible into Klein common shares at the rate of \$9.42 per share, subject to adjustments in certain events.

The aggregate of long-term debt maturing during the five years ending January 31, 1972 is approximately as follows: 1968, \$24,728,000 (included in current liabilities); 1969, \$15,722,000; 1970, \$13,636,000; 1971, \$7,060,000; and 1972, \$6,374,000.

Agreements covering certain indebtedness of Rapid contain covenants concerning working capital position, additional indebtedness, restrictions on transactions in capital stock and prohibit the declaration and payment of dividends on its common stock.

Federal income taxes

For Federal income tax purposes accelerated methods of computing depreciation and the instalment method of reporting certain sales have been availed of by certain of Rapid's subsidiaries. The use of these methods has resulted in tax deferrals which have been charged against income and credited to deferred Federal income taxes.

Reserve for the closing or sale of loss stores

During the two years ended January 31, 1966 McCrory's Board of Directors established a reserve for losses principally inherent, although not yet realized, in planned closing or sale of loss stores and discontinuance of credit service at certain stores. In the years ended January 31, 1967 and 1966 charges totaling \$1,029,121 and \$2,774,451, respectively, net of Federal income taxes, were made to this reserve.

Preferred stock

At January 31, 1967 preferred stock of Rapid was as follows:

	\$7.75 Cumulative Convertible Preferred	5% Cumulative Convertible Preferred
Number of shares:		
Authorized	856,000	30,000
Issued and outstanding ..	855,528	15,000
Per share:		
Par value .. .	\$ 1.00	\$100.00
Redemption price .. .	15.75	105.00
Liquidation preference ..	15.00	100.00
Conversion rate .. .	1 for 1	10 for 1
Common shares reserved for conversion of preferred stock ..	855,528	150,000
Aggregate par value of preferred stock outstanding .. .	\$855,528	\$1,500,000
Aggregate liquidating preference ..	\$12,832,920	\$1,500,000

Common stock

Rapid's qualified stock option plan authorizes the grant to officers, other executives and key employees of options to purchase 200,000 shares of common stock at not less than

100% of fair market value on the dates of grant. Option data for the year ended January 31, 1967 are as follows:

	Option Price Range	Number of Shares
Outstanding February 1, 1966..	\$10.125-\$11.75	114,800
Transactions during year ended January 31, 1967:		
Granted .. .	\$8.17-\$12.75	47,100
Cancelled .. .	\$11.75	(4,700)
Outstanding January 31, 1967..	\$8.17-\$12.75	157,200
At January 31, 1967:		
Exercisable .. .	\$10.125-\$12.75	55,000
Available for grant .. .		42,800

At January 31, 1967, warrants entitling their holders to purchase 475,000 shares of Rapid's common stock were outstanding as follows:

Expiration Date	Exercise Price	Number of Warrants
January 2, 1968 .. .	\$ 5	300,000
December 31, 1970 .. .	10	75,000
June 1, 1976 .. .	5	100,000
Total .. .		475,000

Pro forma net income per common share would have been \$1.86 based on the average number of common shares outstanding during the year ended January 31, 1967 had the preferred stocks and 5% convertible subordinated debentures, due 1977, been converted into common stock, after elimination of preferred dividend requirements and interest on the convertible debentures.

At January 31, 1967 there were 360,443 shares of McCrory common stock reserved for the conversion of McCrory preferred and preference stocks, 559,881 shares of McCrory common stock reserved for issuance under stock option and employee stock purchase plans, and 3,436,596 McCrory common stock purchase warrants were outstanding.

Pension plans

Rapid and certain of its subsidiaries have noncontributory retirement and profit sharing plans. Contributions of \$1,400,000 and \$1,200,000, respectively, for the years ended January 31, 1967 and 1966 have been reflected in the statements of consolidated income. No provision for costs have been reflected in such statements for McCrory's MMG Division plan since the amounts accumulated in the trust fund in respect of such plan exceed the actuarial liability as computed by the consulting actuary.

Net income and earned surplus

For the year ended January 31, 1966 the \$1,724,625 gain on the sale of common stock and rights to purchase common stock of Lerner and Rapid's equity in the addition to the reserve for the closing or sale of loss stores (\$1,289,225) and in the gain (\$113,164) on sale of common stock of Lerner by McCrory included in the statement of consolidated earned surplus were set forth as special items following net income in reports filed with the Securities and Exchange Commission.

Other matters

There are several claims pending against Rapid and subsidiaries together with other contingencies (including long-term leases on locations at which operations have been or will be discontinued). Total liability cannot be determined but management and counsel are of the opinion that the liabilities in the consolidated financial statements are adequate to cover the same. At January 31, 1967 the minimum annual rentals upon property leased to Rapid and its subsidiaries under leases expiring after January 1970 amount to approximately \$30,400,000 plus, in certain instances, real estate taxes, insurance, etc.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

ACCOUNTANTS' OPINION

RAPID-AMERICAN CORPORATION:

We have examined the financial statements of Rapid-American Corporation and subsidiaries except Lerner Stores Corporation and its subsidiaries for the year ended January 31, 1967. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to Lerner Stores Corporation and its subsidiaries, we were furnished with the report of other accountants on their examination of the financial statements of that company and its subsidiaries for the year.

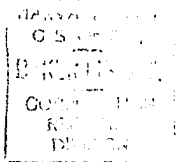
In our opinion, based on our examination and the report of other accountants referred to above, the accompanying consolidated balance sheet and statements of consolidated income and of surplus and preferred stock present fairly the financial position of Rapid-American Corporation and subsidiaries at January 31, 1967 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

April 10, 1967

AUDITORS	HASKINS & SELLS, NEW YORK, N. Y.						
GENERAL COUNSEL	RUBIN, WACHTEL, BAUM & LEVIN, NEW YORK, N. Y.						
TAX ADVISORS	HANIGSBERG, DELSON & BROSLER, NEW YORK, N. Y.						
TRANSFER AGENTS	<table><tbody><tr><td>{ Common Stock</td><td>{ CHEMICAL BANK NEW YORK TRUST COMPANY, NEW YORK, N. Y.</td></tr><tr><td>{ \$75 Convertible Preferred Stock</td><td>{ THE FIRST NATIONAL BANK OF JERSEY CITY, JERSEY CITY, N. J.</td></tr><tr><td></td><td>CHEMICAL BANK NEW YORK TRUST COMPANY, NEW YORK, N. Y.</td></tr></tbody></table>	{ Common Stock	{ CHEMICAL BANK NEW YORK TRUST COMPANY, NEW YORK, N. Y.	{ \$75 Convertible Preferred Stock	{ THE FIRST NATIONAL BANK OF JERSEY CITY, JERSEY CITY, N. J.		CHEMICAL BANK NEW YORK TRUST COMPANY, NEW YORK, N. Y.
{ Common Stock	{ CHEMICAL BANK NEW YORK TRUST COMPANY, NEW YORK, N. Y.						
{ \$75 Convertible Preferred Stock	{ THE FIRST NATIONAL BANK OF JERSEY CITY, JERSEY CITY, N. J.						
	CHEMICAL BANK NEW YORK TRUST COMPANY, NEW YORK, N. Y.						
REGISTRAR	THE CHASE MANHATTAN BANK (N.A.), NEW YORK, N. Y.						
LISTINGS	<table><tbody><tr><td>{ 5 1/2 % Convertible Debentures</td><td rowspan="3">AMERICAN STOCK EXCHANGE</td></tr><tr><td>{ \$75 Convertible Preferred Stock</td></tr><tr><td>{ Common Stock</td></tr><tr><td>{ Common Stock</td><td>CINCINNATI STOCK EXCHANGE</td></tr></tbody></table>	{ 5 1/2 % Convertible Debentures	AMERICAN STOCK EXCHANGE	{ \$75 Convertible Preferred Stock	{ Common Stock	{ Common Stock	CINCINNATI STOCK EXCHANGE
{ 5 1/2 % Convertible Debentures	AMERICAN STOCK EXCHANGE						
{ \$75 Convertible Preferred Stock							
{ Common Stock							
{ Common Stock	CINCINNATI STOCK EXCHANGE						

EXECUTIVE OFFICES 711 FIFTH AVENUE, NEW YORK, N. Y. 10022



1966 ANNUAL REPORT TO THE SHAREHOLDERS OF GLEN ALDEN CORPORATION

ANNUAL MEETING

The 1967 Annual Meeting of Shareholders of the Corporation at which directors would have been elected for the ensuing year, scheduled to be held on the third Friday in May, will not be held due to the holding on April 12, 1967 of a Special Meeting of Shareholders to take action on the proposed merger of the Corporation into a Delaware corporation, the directors of which are named in the Merger Agreement to be acted upon. The first Annual Meeting of Shareholders of the surviving corporation following the merger (if consummated) will be held in May, 1968. If for any reason the proposed merger is not consummated, a Special Meeting in lieu of the Annual Meeting will be convened at the earliest practical date.

COMPARATIVE HIGHLIGHTS

GLEN ALDEN CORPORATION AND SUBSIDIARIES

INCOME SUMMARY

	Year Ended December 31,	
	1966	1965
Continuing operations:		
Net sales and revenues	\$53,797,000	\$47,870,000
Operating income	4,609,000	3,865,000
Operating income of discontinued and sold operations		1,685,000
Other income—net	1,621,000	976,000
Extraordinary items—net	234,000	(3,213,000)
Net Income	<u>\$ 6,464,000</u>	<u>\$ 3,313,000</u>
Per common share:		
Income before extraordinary items	\$1.30	\$1.36
Extraordinary items05	(.67)
Net Income	<u>1.35</u>	<u>.69</u>
Cash dividends paid80	.70

BALANCE SHEET SUMMARY

	December 31,	
	1966	1965
Current assets	\$45,903,000	\$53,469,000
Current liabilities	10,486,000	6,804,000
Working capital	35,417,000	46,665,000
Current ratio	4.4 to 1	7.9 to 1
Property, plant and equipment (net)	17,672,000	17,625,000
Long-term debt	9,414,000	11,328,000
Shareholders' equity:		
Total	69,981,000	68,620,000
Per share	14.58	14.28

GENERAL

Number of shares outstanding	4,800,932	4,804,114
Number of shareholders	16,000	16,000

TO OUR SHAREHOLDERS:

The past year was a good one for Glen Alden Corporation.

Net income of the corporation for the year 1966 was \$6,464,000 or \$1.35 a share, including \$234,000 (which is approximately 5¢ per share) of extraordinary items. In 1965 net income was \$3,313,000 or 69¢ a share after losses on extraordinary items of \$3,213,000 largely incurred in the sale of the Coal Division that year. Operating income in 1966 was \$4,609,000; excluding discontinued operations, the comparable figure for 1965 was \$3,865,000

Our Textile Division, consisting of the Swift Manufacturing Company at Columbus, Georgia and the Opp and Micolás Mills at Opp, Alabama, posted record sales and earnings during 1966. We have embarked on a major program of plant renovation coupled with modest expansion, the fruits of which should become evident during the present year at Micolás, and within the next two or three years at Swift.

As of the present writing, all of our textile plants are operating at or near capacity. We should point out however that soft spots are beginning to emerge in the general textile future, although they appear to be more serious in lightweight polyester blends than in the cotton areas in which we are involved. We believe that the outlook for the long term continues good.

Our RKO motion picture theatre operation improved substantially in 1966. Management of that Division has been able to exhibit a better product and to improve overall earnings. Management techniques have been improved with the result that many of our theatres are operating more efficiently. We continue to dispose of less profitable theatres, largely through sale, and as opportunity presents, we propose to enter into leases for new theatres, generally in suburban areas which should prove considerably more economical to operate than many of our existing larger theatres.

You have already received a notice of the Special Meeting of Shareholders to be held on April 12, 1967 to take action with respect to the acquisition by your Company of the assets and

business of The B.V.D. Company, Inc. and the merger with The Philip Carey Manufacturing Company. The consummation of both transactions is subject to the approval of the shareholders of B.V.D., Philip Carey and Glen Alden, and in the case of the merger with Carey, also to the obtaining of a favorable tax ruling. The details of both transactions are contained in the proxy material which has been sent to the shareholders of the three companies.

Your Company's 1967 Annual Meeting of Shareholders would normally be held on May 19, 1967. In view, however, of the close proximity to such date of the holding of the Special Meeting of Shareholders to take action with respect to the B.V.D. acquisition and the Carey merger, the 1967 Annual Meeting will not be held. Questions of general interest to shareholders respecting the Company's business normally taken up at the Annual Meeting will be entertained at the Special Meeting.

We wish to point out that beginning in 1967 our earnings will be subject to Federal income taxes as our net operating loss tax carry forwards are not available after December 31, 1966. Labor rates and cost of materials will undoubtedly continue to rise, and recruiting and holding skilled manpower will be increasingly difficult and costly. There is no doubt that all of these factors will exert pressure on our profit margins. Nevertheless, in view of the basic vitality of our business we look forward with confidence to both the near and more distant future.

Again, in 1966 we were supported by splendid loyalty and sustained effort on the part of our employees in meeting the year's challenges and demands. We wish to express to all of them, and to our many loyal customers and to our stockholders, our sincere appreciation for making possible a year of progress.

Respectfully submitted for the Board of Directors,



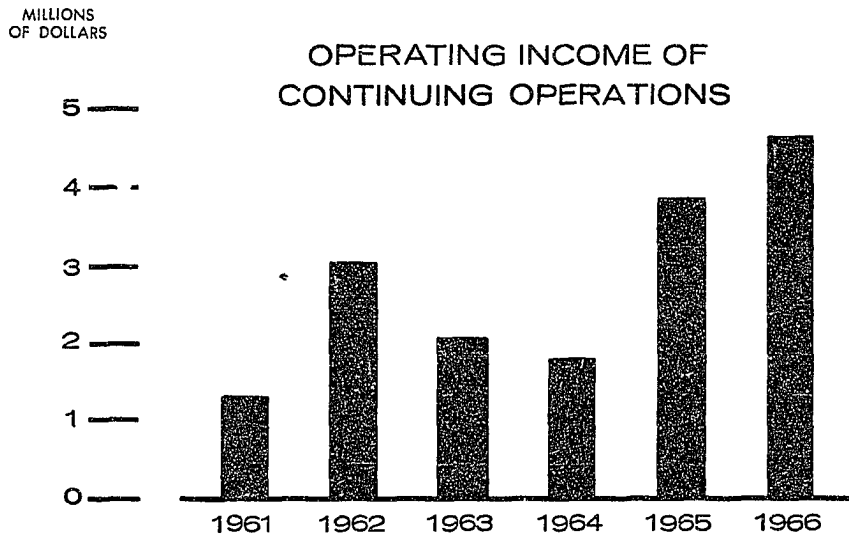
MESHULAM RIKLIS
Chairman, Board of Directors



PAUL A. JOHNSTON
President

OPERATING INCOME OF CONTINUING OPERATIONS

The following graph shows operating income of continuing operations (theatres and textile mills) for years 1961 through 1966 after allocation of corporate general and administrative expenses based on estimates of management determined by use of various operational factors



GLEN ALDEN CORPORATION AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME AND EARNED SURPLUS

For The Years Ended December 31, 1966 and 1965

	<u>1966</u>	<u>1965</u> (Note B)
Net Sales of Products and Theatre Operating Revenues	\$53,797,175	\$79,170,643
Costs and Expenses:		
Cost of products sold and theatre operating expenses	43,149,285	65,454,055
Advertising, selling, general and administrative expenses	4,813,986	6,055,591
Depreciation, amortization and, in 1965, depletion	1,224,796	2,110,308
Total costs and expenses	<u>49,188,067</u>	<u>73,619,954</u>
Operating Income	<u>4,609,108</u>	<u>5,550,689</u>
Other Income (Expenses):		
Interest on certificates of deposit, etc.	2,225,593	1,635,112
Interest on long-term debt, etc.	(813,828)	(967,785)
Dividends	407,483	441,729
Amortization of intangibles	(221,018)	(224,779)
Miscellaneous	22,666	91,559
Other income—net	<u>1,620,896</u>	<u>975,836</u>
Income Before Extraordinary Items (per share: 1966—\$1.30; 1965—\$1.36)	<u>6,230,004</u>	<u>6,526,525</u>
Extraordinary Items:		
Profit (loss) on sale of:		
Theatre properties	833,185	1,029,730
Coal properties (Note B)		(3,637,835)
Provision for revaluation of investment in capital stock of Briggs Manufacturing Company to approximate market quotation value	(750,000)	
Sundry—net	151,062	(605,148)
Extraordinary items—net (per share: 1966—\$.05; 1965—\$(.67))	<u>234,247</u>	<u>(3,213,253)</u>
Net Income (Note C).....(per share: 1966—\$1.35; 1965—\$.69)	<u>6,464,251</u>	<u>3,313,272</u>
Earned Surplus, January 1	16,798,814	18,849,574
Deduct:		
Cash dividends declared.....(per share: 1966—\$.65; 1965—\$.70)	3,125,076	3,364,032
Appropriation for revaluation of investment in Briggs Manufacturing Company to approximate market		2,000,000
Provision for prior years' Federal income taxes (Note C)	1,900,000	
Earned Surplus, December 31	<u>\$18,237,989</u>	<u>\$16,798,814</u>
See Notes to Financial Statements.		

Consolidated Balance Sheet

ASSETS

	1966	1965 (Note B)
CURRENT ASSETS:		
Cash, including bank certificates of deposit	\$33,085,676	\$42,770,415
Trade accounts receivable, less allowance for doubtful accounts	4,460,320	2,744,592
Mortgage and other notes and accounts receivable, etc.—current portion	2,052,872	2,358,944
Inventories, at lower of cost or market	5,528,821	5,094,333
Prepaid expenses	775,329	501,345
Total current assets	45,903,018	53,469,629
 INVESTMENTS AND OTHER ASSETS:		
Investment in capital stock of The Philip Carey Manufacturing Company, at cost which approximates equity (market quotation value, \$9,923,550)	11,752,751	
Investment in capital stock (at cost, less reserve of \$2,750,000 in 1966 and \$2,000,000 in 1965) and notes of Briggs Manufacturing Company ...	3,230,868	3,968,181
Mortgage note receivable (bearing various interest rates) from Blue Coal Corporation, due 1968 to 1976 (Note B)	4,634,712	5,775,000
Sundry investments, notes, accounts, deposits, etc.—less allowance and unearned discount	7,267,762	6,615,533
Investments and other assets—net	26,886,093	16,358,714
 PROPERTY, PLANT AND EQUIPMENT (principally at cost):		
Land and buildings	22,961,317	26,762,482
Other	27,888,830	26,059,237
Total	50,850,147	52,821,719
Less accumulated depreciation and amortization (Note A)	33,177,915	35,196,550
Property, plant and equipment—net	17,672,232	17,625,169
INTANGIBLES, less amortization (Note A)	2,062,835	2,283,853
TOTAL	\$92,524,178	\$89,737,365

See Notes to Financial Statements.

tion and Subsidiaries

1966 and 1965

LIABILITIES AND SHAREHOLDERS' EQUITY

	1966	1965 (Note B)
CURRENT LIABILITIES:		
Note payable to bank	\$ 3,500,000	
Trade accounts payable	1,180,881	\$ 1,383,265
Dividend payable	840,163	1,561,337
Current portion of long-term debt	816,087	750,539
Taxes accrued and withheld	2,162,971	1,834,954
Accrued liabilities	1,985,460	1,274,304
Total current liabilities	<u>10,485,562</u>	<u>6,804,399</u>
LONG-TERM DEBT, less current maturities:		
4½% mortgage and collateral trust sinking fund notes, due in installments to March 1, 1979	7,625,000	8,250,000
6% subordinated sinking fund debentures, due in installments to June 30, 1970—redeemable at principal amount plus accrued interest	1,788,684	2,859,432
Other		218,800
Total long-term debt	<u>9,413,684</u>	<u>11,328,232</u>
OTHER LIABILITIES:		
Reserves for taxes and contingencies (Note D)	2,267,219	2,455,150
Miscellaneous	377,047	529,707
Total other liabilities	<u>2,644,266</u>	<u>2,984,857</u>
SHAREHOLDERS' EQUITY:		
Common shares, par value \$1 per share—authorized 8,500,000 shares; issued, 6,124,986 shares in each year (Note E)	6,124,986	6,124,986
Capital surplus (Note E)	62,047,734	62,058,725
Earned surplus	18,237,989	16,798,814
	<u>86,410,709</u>	<u>84,982,525</u>
Less cost of 1,324,054 and 1,320,872 common shares of treasury stock in 1966 and 1965, respectively	16,430,043	16,362,648
Total shareholders' equity	<u>69,980,666</u>	<u>68,619,877</u>
TOTAL	<u>\$92,524,178</u>	<u>\$89,737,365</u>

See Notes to Financial Statements.

STATEMENT OF CHANGES IN CONSOLIDATED WORKING CAPITAL

For The Years Ended December 31, 1966 and 1965

	<u>1966</u>	<u>1965</u> <u>(Note B)</u>
Working Capital, January 1	<u>\$46,665,230</u>	<u>\$41,102,885</u>
Increases:		
Net income (Note C)	6,464,251	3,313,272
Depreciation, amortization and, in 1965, depletion	1,527,660	2,525,866
Provision for revaluation of investment in capital stock of Briggs Manufacturing Company	750,000	
Other charges not requiring current outlays	502,344	605,148
Total from operations	<u>9,244,255</u>	<u>6,444,286</u>
Reduction in non-current portion of mortgage and other notes and accounts receivable, etc.	1,372,665	2,805,186
Disposals of property, plant and equipment less portion of consideration represented by long-term mortgage notes and, in 1965, assumption of long-term liabilities	198,958	4,011,791
Total increases ..	<u>10,815,878</u>	<u>13,261,263</u>
Decreases:		
Cash dividends	3,125,076	3,364,032
Reduction of long-term debt	1,914,548	1,402,711
Additions to property, plant and equipment	2,939,613	2,310,171
Investment in capital stock of The Philip Carey Manufacturing Company ..	11,752,751	
Provision for prior years' Federal income taxes charged to earned surplus ..	1,900,000	
Other—net	431,664	622,004
Total decreases	<u>22,063,652</u>	<u>7,698,918</u>
Net Increase (Decrease) For The Year	<u>(11,247,774)</u>	<u>5,562,345</u>
Working Capital, December 31	<u><u>\$35,417,456</u></u>	<u><u>\$46,665,230</u></u>

See Notes to Financial Statements.

GLEN ALDEN CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1966

A—Principles of Consolidation

The accompanying financial statements include the accounts of the Corporation and all of its subsidiaries.

Intangibles appearing in the consolidated balance sheet represent the unamortized excess of cost of an investment over equity in net assets of the acquired company.

Accumulated depreciation and amortization includes \$1,684,767 and \$2,089,767, at December 31, 1966 and 1965, respectively, representing the unamortized excess of equity in net assets over cost of the investments in acquired companies

B—Sale of Coal Properties

Effective January 1, 1966 Glen Alden sold its assets and business related to producing and selling anthracite coal for approximately \$12,500,000, represented by cash of \$500,000, a \$5,775,000 mortgage note receivable, a \$100,000 other note receivable and the assumption of certain liabilities by the purchaser. Such sale was recorded as of December 31, 1965. The net sales of products and costs and expenses of the coal operations included in the 1965 statement of consolidated income amounted to approximately \$30,736,000 and \$28,694,000, respectively.

C—Federal Income Taxes

No Federal income taxes were provided for the years 1966 and 1965 because of the availability of carry-forward net operating losses. Unused net operating loss carryovers from prior years will not be available after December 31, 1966. At December 31, 1966 Glen Alden Corporation and subsidiaries had an unused investment tax credit of approximately \$500,000.

Certain adjustments to the Corporation's consolidated taxable income have been proposed by the Internal Revenue Service for years prior to 1962, not resulting in tax liability for those years, but which affect loss carryovers. Glen Alden has not agreed to these adjustments. The consolidated returns for 1963 through 1965 have not been examined.

Consolidated Federal income tax returns of LIST Industries Corporation (which was merged into Glen Alden Corporation April 21, 1959) and subsidiaries then affiliated with it, for 1958 and the period ended April 21, 1959, have been examined by the Internal Revenue Service. As at December 31, 1966, a reserve has been provided for the estimated liability for these years and a related charge of \$1,900,000 made to earned surplus.

Management and tax counsel are of the opinion that no Federal income taxes are payable through December 31, 1966, except as provided in the accompanying consolidated financial statements.

D—Reserves for Taxes and Contingencies

There are several claims pending against the Corporation and its subsidiaries together with other contingencies including Federal income taxes. Total liability can not be determined but management and counsel are of the opinion that the reserves provided therefor are adequate.

NOTES TO FINANCIAL STATEMENTS (Continued)

E—Stock Option Plans

In 1965, the Corporation adopted a Qualified Stock Option Plan under which 250,000 common shares were reserved for the granting of options to officers, other executives and key employees to purchase common shares at not less than fair market value at the time an option is granted. Options under the Plan become exercisable ratably over a period of not less than approximately three years and expire not more than five years after the date of granting or sooner in the event of death or the termination of employment.

The 1962 Stock Option Plan (which was amended on May 15, 1964) was terminated during 1965 and a former Employees Stock Option Plan expired during 1963.

Common shares of the Corporation were reserved for issuance under the various stock option plans as follows:

	1965 Plan	1962 Plan	1953 Plan
Outstanding, January 1, 1966	127,000	30,967	5,350
Transactions during the year ended December 31, 1966:			
Granted	5,000		
Exercised		(6,118)	
Expired	(4,000)	(12,216)	(5,350)
Outstanding, December 31, 1966	128,000	12,633	—0—
Option Price Range	\$9.875-\$14.25	\$8.49-\$14.49	\$13.60
At December 31, 1966:			
Exercisable	58,250	None	None
Available for grant	122,000	None	None

The decrease of \$10,991 in capital surplus during 1966 represents the excess of cost over proceeds received for 6,118 shares of treasury stock issued upon the exercise of stock options.

F—Retirement Plan

The Corporation maintains a fully-funded, non-contributory retirement plan for the benefit of eligible employees. No provision for retirement plan costs was charged to 1966 and 1965 operations because the earnings of the Plan's assets exceeded the estimated annual cost in each year.

G—Long-Term Leases

At December 31, 1966, the Corporation and its subsidiaries were obligated, under leases expiring after December 1969, for the payment of minimum annual rentals aggregating approximately \$1,400,000, plus, in certain instances, real estate taxes, insurance, etc. The leases have varying expiration dates to 2023 with the majority expiring by 1979.

NOTES TO FINANCIAL STATEMENTS (Concluded)

H—Guaranties

As of December 31, 1966, Glen Alden was guarantor as follows:

- a) As to principal, interest, premium (if any) on, and of the performance of all of the covenants and obligations contained in an indenture relating to \$1,920,000 of 5¼% Convertible Subordinated Debentures due December 1, 1969, issued by B. S. F. Company. In order to indemnify Glen Alden, B. S. F. Company has deposited with a bank securities which have an aggregate market value in excess of the principal and premium on such Debentures.
- b) In the amount of approximately \$6,500,000 as to mortgage notes (having varying maturities to 1984) previously held by Glen Alden or subsidiaries
- c) As to a deferred production payment of \$2,057,000 at December 31, 1966 relating to Glen Alden's coal business which was sold effective January 1, 1966 (see Note B).
- d) In the amount of approximately \$2,500,000 for loans payable by Briggs Manufacturing Company to Bankers Life and Casualty Company and to certain factors and banks.

I—Proposed Acquisition and Merger

See pages 2 and 3 herein for information as to the proposed acquisition of The B. V. D. Company, Inc. and proposed merger with The Philip Carey Manufacturing Company

ACCOUNTANTS' OPINION

To the Board of Directors and Shareholders of
GLEN ALDEN CORPORATION:

We have examined the consolidated financial statements of Glen Alden Corporation and subsidiaries as of December 31, 1966 and for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year; and the accompanying statement of changes in consolidated working capital presents fairly the information shown therein.

HASKINS & SELLS
Certified Public Accountants

New York, N. Y.
March 17, 1967

GLEN ALDEN CORPORATION 1740 BROADWAY, NEW YORK, N. Y. 10019

TRANSFER AGENTS

Chemical Bank New York Trust Company, 20 Pine Street, New York, New York 10015

Fidelity-Philadelphia Trust Company, 135 South Broad Street, Philadelphia, Pennsylvania 19109

REGISTRARS

Manufacturers Hanover Trust Company, 40 Wall Street, New York, New York 10015

The Philadelphia National Bank, Broad & Chestnut Streets, Philadelphia, Pennsylvania 19101

GENERAL COUNSEL

Strasser, Spiegelberg, Fried & Frank, 120 Broadway, New York, New York 10005

OFFICES AND PLANTS

SWIFT MANUFACTURING COMPANY

Main Office and Plants:

Columbus, Georgia 31902

Sales Offices:

1430 Broadway, New York, New York 10018

Merchandise Mart, Chicago, Illinois 60654

849 South Broadway, Los Angeles, California 90052

971 Adair Avenue, N.E., Atlanta, Georgia 30301

OPP COTTON MILLS,

THE NICOLAS COTTON MILLS

Main Office and Plants:

Opp, Alabama 36467

Executive and Sales Offices:

111 West 40th Street, New York, New York 10018

RKO THEATRES DIVISION

Main Office:

1740 Broadway, New York, New York 10019

GERA CORPORATION

Executive Offices:

1740 Broadway, New York, New York 10019

BOARD OF DIRECTORS

ISIDORE A. BECKER

Vice Chairman of the Board and Treasurer of McCrory Corporation.

FRANK BURNSIDE

President of Fowler, Dick and Walker, Wilkes-Barre, Pennsylvania, Department Store.

RALPH E. CASE

Chairman of the Board, Case and Company, Inc., Management Consultants, New York, New York.

PATRICK J. CLIFFORD*

President and Director of The Security National Bank of Long Island, Huntington, New York.

MAURICE GOODMAN

Chairman of the Board of The Golden Cycle Corporation, Colorado Springs, Colorado.

LUTHER H. HODGES

Chairman of the Board of Financial Consultants International S.A.

WENTWORTH P. JOHNSON*

President, John B. Stetson Co., Philadelphia, Pennsylvania; Chairman and Treasurer, Star Capital Corp., Philadelphia, Pennsylvania; Former Senior Vice President and now Director of Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania.

PAUL A. JOHNSTON*

President and Chief Executive Officer of the Corporation.

SOL KITTAY

Chairman of the Board and President, The B. V. D. Company, Inc., New York, New York.

LEONARD C. LANE*

Vice Chairman of the Board of McCrory Corporation.

SAMUEL J. LEVY

President of Cellu-Craft Products Corp., New Hyde Park, New York.

AUSTIN LIST

Vice President of the Corporation; President, Opp Cotton Mills and The Micolas Cotton Mills, New York, New York.

M. LESTER MENDELL*

Vice President, Bankers Trust Company, Retired, and now Director of several corporations.

GILBERT H. PERKINS*

Consultant to and retired Vice Chairman of the Board of Chemical Bank New York Trust Company.

BERT R. PRALL

Chairman of the Board of The Chicago-Tokyo Bank, Chicago, Illinois.

MESHULAM RIKLIS*

Chairman of the Board of McCrory Corporation and Chairman of the Board of the Corporation.

HARRY H. WACHTEL

Partner in the law firm of Rubin, Wachtel, Baum & Levin, New York, New York, and Executive Vice President of McCrory Corporation.

*Member of Executive Committee.

OFFICERS

MESHULAM RIKLIS

Chairman of the Board

PAUL A. JOHNSTON

President

JOHN A. BOLAND, JR.

Vice President

AUSTIN LIST

Vice President

MATTHEW POLON

Vice President

C. E. TENNESSON, JR.

Vice President and Assistant to the President

LLOYD G. WILSON

Secretary and General Attorney

JOHN G. JAEGER

Treasurer

FRED E. SQUIRE

Controller